

May 25, 2023

Good Morning,

Stocks have struggled to maintain momentum in May as the economy shows signs of slowing, issues in the banking system persist, and Wall Street worries about the US debt ceiling. The S&P 500 Index is down 1% this month, while the tech-heavy NASDAQ Composite Index is still up 2.5%. Bond yields have inched up over the past two weeks pushing prices down slightly. We would call this a nervous market waiting for news out of Washington.

As expected, the debt ceiling debate will come down to the last minute as House Republicans and the Administration negotiate items outside the scope of the past bills owed by the US. Perhaps some progress will be made towards some effort to balance the US budget going forward. We believe an agreement will not be made prior to June 1<sup>st</sup>; the “default” deadline stated by Treasury Secretary Janet Yellen. However, negotiators are likely to produce a band aid extension of 30 days, or so, while they continue to hash out details of an eventual agreement. In the meantime, markets are getting spooked, triggering declines in both stock and bond prices. A failure to make continued progress could result in sharper market declines. Conversely, a bilateral deal could produce a strong relief rally.

Yesterday’s cool, wet weather was broken up by end-of-day sunshine which produced a rainbow over Canandaigua Lake. Interestingly, scientists recently figured out how to calculate the weight of rainbows. It turns out they’re pretty light. (Long groans for a long weekend.) Have a wonderful Memorial Day!

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[http://www.commonwealth.com/RepSiteContent/weekly\\_comm/commentary\\_redirect.htm](http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm)

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

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